

Message Text

UNCLASSIFIED

PAGE 01 USUN N 01425 01 OF 02 200245Z

64

ACTION IO-14

INFO OCT-01 NEA-10 ISO-00 AF-10 ARA-16 EA-11 EUR-25 RSC-01

SCI-06 AEC-11 SPM-01 AGR-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 AID-20 CIEP-02 SS-20 STR-08 TAR-02

TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01 SWF-02

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TO SECSTATE WASHDC 3689

INFO AMEMBASSY NEW DELHI

UNCLAS SECTION 1 OF 2 USUN 1425

E.O. 11652: NA

TAGS: UNGA EGEN IN

SUBJ: UNGA SPECIAL SESSION: INDIA GENERAL DEBATE

STATEMENT APRIL 19

SUMMARY: INDIAN FONMIN STRESSED "VICIOUS CIRCLE OF SCARCITIES AND SPIRALLING PRICES" AND FACT OF WORLD INTERDEPENDENCE. THERE NEED FOR PROGRESSIVE IMPROVEMENT IN COMMODITY PRICES AND LDC'S MUST PARTICIPATE IN DETERMINING PRICE OF THEIR PRODUCTS. ENORMOUS INCREASE IN PRICE OF LDC'S IMPORTS SUCH AS FERTILIZER AND OIL THREATENS TO THROTTLE INDIA'S GROWTH AND WIPE OUT GAINS OF "GREEN REVOLUTION". WHILE APPRECIATING REASONS FOR INCREASED OIL PRICES, SINGH COULD NOT APPRECIATE JUSTIFICATION FOR ENORMOUS INCREASE IN COST OF ESSENTIAL IMPORTS FROM DEVELOPED COUNTRIES. AID PROPOSALS FROM IRAQ, IRAN, OPEC DEVELOPMENT FUND AND KUWAIT ACKNOWLEDGED, BUT SINGH SAID PROBLEM SHOULD BE ATTACKED WITH GREATER URGENCY. LDC'S NEED GREATER LIQUIDITY AND COMMON EFFORT REQUIRED TO NEUTRALIZE RISE IN IMPORT COSTS. HE SAID GA SHOULD GO BEYOND "GENERALIZED DECLARATION OF PRINCIPLES" AND ADOPT

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PAGE 02 USUN N 01425 01 OF 02 200245Z

PRACTICAL PROGRAM OF ACTION INCLUDING REAFFIRMATION OF DEVELOPMENT

TARGETS, POLICY FOR REVALORIZATION OF RAW MATERIAL PRICES, PROVISION FOR ADDITIONAL LIQUIDITY, FORMULATE PLAN TO RESTRUCTURE INT'L MONETARY SYSTEM, FULFILL TARGETS FOR DEVELOPMENT AID, WORK OUT POLICY OF DEBT REPAYMENT, TAP SUMS ON CAPITAL MARKETS AND MAKE AVAILABLE FINANCIAL AND TECHNICAL ASSISTANCE TO LDC'S. END SUMMARY.

1. IN APRIL 19 STATEMENT AT GA, INDIAN MINISTER OF EXTERNAL AFFAIRS SWARAN SINGH STRESSED WORSENING ECONOMIC SITUATION SINCE ALGERIAN NON-ALIGNED CONF WITH "VICIOUS CIRCLE OF SCARCITIES AND SPIRALLING PRICES." AS A CONSEQUENCE, "INEQUALITY AMONGST NATIONS HAS BECOME SHARPER AND PROBLEMS OF EXCEPTIONAL MAGNITUDE CONFRONT A VERY LARGE PART OF THE DEVELOPING WORLD. WHILE THE FEAR OF RECESSION GRIPS SOME INDUSTRIAL NATIONS, UNCONTROLLED INFLATION THREATENS TO ERODE THE RECENT GAINS MADE BY THE PRODUCERS OF SOME RAW MATERIALS." SINGH SAID, "THESE DIFFICULTIES CAN BE SURMOUNTED ONLY BY CONCERTED ACTION IN THE FRAMEWORK OF INT'L COOPERATION, BASED ON EQUALITY AND EQUITY AND ON THE RIGHTS AND OBLIGATIONS OF THE POOR AND THE RICH." INTERDEPENDENCE, FORMERLY AN ABSTRACT CONCEPT, TODAY IS RECOGNIZED AS "A FACT OF LIFE."

2. FOR MANY YEARS PROBLEM OF SECURING RENUMERATIVE PRICES FOR RAW MATERIALS FROM LDCS HAS ENGAGED INT'L ATTENTION, BUT LITTLE CONCRETE ACTION HAS BEEN TAKEN. RECENT UPSURGE IN SOME COMMODITY PRICES DUE PARTLY TO SPECULATIVE ACTIVITY STEMMING LARGELY FROM EROSION IN CONFIDENCE IN INT'L MONETARY SYSTEM. PRICES OF OTHER COMMODITIES HAVE STAGNATED: I.E. IRON ORE AND TEA. THOSE WHO CONTROL LEVERS OF PRICE MECHANISM HAVE SUCCESSFULLY DENIED DUE PROFIT TO RAW MATERIAL PRODUCERS IN LDC'S. SINGH SAID, "A PLAN FOR SECURING A STEADILY PROGRESSIVE IMPROVEMENT IN COMMODITY PRICES MUST BE WORKED OUT AT THIS SESSION." HE SUGGESTS THE ESTABLISHMENT OF A "REFERENCE LINE FOR PRICES... AND NORMS FOR THEIR PROGRESSIVE IMPROVEMENT."

3. LDC'S "MUST ENJOY FULL WEIGHT IN DETERMINING THE PRICE OF THEIR PRODUCTS.". ASSOCIATIONS OF PRODUCERS SHOULD PROVIDE TECHNICAL AND FINANCIAL COLLABORATION TO ONE ANOTHER "TO INFLUENCE THE ENTRENCHED MARKET FORCES IN THE DESIRED DIRECTION."
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PAGE 03 USUN N 01425 01 OF 02 200245Z

IN SOME CASES, "EXPORT DUTIES MAY BE TRIED." LDC'S MUST INSTITUTE MEASURES TO CONSERVE RAW MATERIALS, DESPITE FACT THAT LDC'S NEED MORE RAW MATERIALS TO SUSTAIN MOMENTUM OF DEVELOPMENT. IMPROVEMENT OF LDC'S PURCHASING POWER AND EXPORT INCOME IS ESSENTIAL AND DETERMINED INT'L ACTION NEEDED TO ACHIEVE THIS. CURRENT GA SHOULD ESTABLISH GUIDELINES ON RAW MATERIALS TRADE AND ENTRUST EXECUTION TO ORGANIZATION IN UN SYSTEM.

4. SINGH CITED ENORMOUS INCREASES IN PRICES OF WHEAT AND UREA AND SAID "PRINCIPLE BURDEN OF WORLD INFLATION IS BORNE BY THE LAND-LOCKED, THE LEAST DEVELOPED, THE PRODUCERS OF RAW MATERIALS WHICH AWAIT REVALORIZATION AND THE POPULOUS COUNTRIES WITH LOW PERCAPITA INCOME." CONSEQUENTLY, LDC'S HAVE DRASTICALLY CUT IMPORTS NEEDED FOR DEVELOPMENT PROGRAMS. DURING PAST TWO DECADES, INDIA HAS MADE DETERMINED DEVELOPMENT EFFORT: PRODUCTION OF ELECTRIC ENERGY, STEEL, ALUMINUM AND CEMENT HAVE BEEN INCREASED ENORMOUSLY. OTHER LDC'S HAVE BEEN AIDED BY INDIA. INFLATION, HOWEVER, "THREATENS TO THROTTLE OUR EFFORTS TO ACHIEVE SELF-RELIANCE." FERTILIZER COSTS THIS YEAR LIKELY TO BE DOUBLED AND PETROLEUM IMPORTS MAY RISE FROM \$500 MILLION LAST YEAR TO \$1.5 BILLION THIS YEAR. IF INDIA IS OBLIGED TO CURTAIL IMPORTS SUBSTANTIALLY, THIS WILL MAKE ACHIEVEMENT OF EVEN MODEST GROWTH IMPOSSIBLE. FOR EXAMPLE, SHORTAGE OF FUEL AND FERTILIZER COULD WIPE OUT MAJOR GAINS OF "GREEN REVOLUTION." ALTHOUGH INDIA IS TRYING TO INCREASE EXPORTS, VALUE OBTAINED BY PRINCIPAL PRODUCTS IN WORLD MARKETS IS COMPARATIVELY LOW AND INELASTIC.

5. INDIA APPRECIATES THE REASONS FOR THE OIL PRODUCING COUNTRIES TO INCREASE PRICES, BUT SINGH SAID HE HAS "SOME DIFFICULTY IN APPRECIATING THE JUSTIFICATION FOR THE ENORMOUS INCREASE IN THE COST OF OUR ESSENTIAL IMPORTS FROM DEVELOPED COUNTRIES." HOWEVER, HE BELIEVES THAT NEITHER THE DEVELOPED COUNTRIES NOR THE EXPORTERS OF FUEL "WOULD WISH TO INSIST UPON ADDITIONAL TRANSFER OF REAL RESOURCES FROM DEVELOPING COUNTRIES WHICH ARE UNABLE TO BEAR THE BURDEN OF PHENOMENAL INCREASES IN THEIR IMPORT BILLS."

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PAGE 01 USUN N 01425 02 OF 02 200252Z

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INFO OCT-01 NEA-10 ISO-00 AF-10 ARA-16 EA-11 EUR-25 RSC-01

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UNCLAS SECTION 2 OF 2 USUN 1425

6. SINGH ACKNOWLEDGED THE "ACCOMMODATION" EXTENDED TO INDIA BY IRAQ AND IRAN TO MEET PART OF FUEL IMPORT NEEDS. HE ALSO "NOTED WITH APPRECIATION" OTHER ASSISTANCE PROPOSALS: OPEC DEVELOPMENT FUND, AID FROM IRAQ, KUWAIT, IRAN AND SPECIAL PROGRAM PROPOSED BY ALGERIA. FINANCIAL MATTERS ORDINARILY HAVE THEIR OWN COMPLEXITIES; IT TAKES TIME TO SETTLE THEM. HOWEVER, THE CURRENT PHENOMENON IS NOT LESS DAMAGING THAN A "NATURAL CALAMITY" AND THE INT'L COMMUNITY SHOULD RESPOND WITH URGENT AND EFFECTIVE MEASURES SIMILARLY TO THOSE THEY WOULD ADOPT IN THE EVENT OF A NATURAL CALAMITY.

7. SINGH SAID CURRENT SITUATION IS "THE PRODUCT OF THE ERRATIC FUNCTIONING OF THE PRICE MECHANISM AND THE ARBITRARINESS OF THE ECONOMIC SYSTEM INHERITED FROM A PAST IN WHICH COLONIALISM AND OTHER FORMS OF EXPLOITATION WERE THE DOMINANT FEATURES." HE SAID WE MUST TAKE STEPS "TO CORRECT THE MECHANISM AND RESTRUCTURE THE SYSTEM." COUNTRIES IN SPECIAL DIFFICULTY NEED ADDITIONAL LIQUIDITY, AND VARIOUS DEVICES CAN BE CONTRIVED TO ACHIEVE THIS. COMMON EFFORT REQUIRED TO NEUTRALIZE THE RISE IN IMPORT COSTS SO UNCLASSIFIED

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PAGE 02 USUN N 01425 02 OF 02 200252Z

LDC'S ARE NOT STARVED OF ESSENTIAL DEVELOPMENT INPUTS.

8. SINGH SAID THE GA MUST GO BEYOND A "GENERALIZED DECLARATION OF PRINCIPLES" AND "ADOPT A PRACTICAL PROGRAM OF ACTION." HE SUGGESTED THE FOLLOWING:

- REAFFIRMATION OF DEVELOPMENT TARGETS OF INT'L DEVELOPMENT STRATEGY ADOPTED FOR THE SECOND DEVELOPMENT DECADE AND AMPLIFIED WHERE NECESSARY.
- A COMPREHENSIVE POLICY FOR REVALORIZATION OF PRICES OF RAW MATERIALS ENTRUSTED TO UNCTAD FOR IMPLEMENTATION.
- TIMELY PROVISION OF ADDITIONAL LIQUIDITY; IF RESOURCES FALL SHORT OF REQUIREMENTS, RECOURSE TO COMMODITY LOANS OR GRANTS, PARTIAL NEUTRALIZATION OF INCREASE IN EXPORT PRICES AND SUSPENSION OF EXPORT TAXES.
- FORMULATE PLAN TO RESTRUCTURE THE INT'L MONETARY SYSTEM, INCLUDING A MORE EQUITABLE PATTERN OR VOTING RIGHTS IN THE INT'L MONETARY FUND.
- FULFILLMENT IN TARGETS FOR DEVELOPMENT AID PROVIDED IN THE

INT'L DEVELOPMENT STRATEGY.

- A COMPREHENSIVE POLICY OF DEBT REPAYMENT.
 - A SCHEME TO TAP THE LARGER SUMS LIKELY TO BE AVAILABLE ON THE INT'L CAPITAL MARKET FOR THE BENEFIT OF THE LDC'S.
 - FINANCIAL AND TECHNICAL ASSISTANCE TO LDC'S TO CREATE ADDITIONAL CAPACITY FOR PRODUCTION OF SCARCE COMMODITIES SUCH AS FERTILIZER AND STEEL.
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